

Health and Human Services Committee

LB 441

March 8, 2017

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Department of Health and Human Services**

Good afternoon, Senator Riepe, and members of the Health and Human Services Committee. My name is Calder Lynch (C-A-L-D-E-R L-Y-N-C-H) and I am the Director of the Division of Medicaid and Long Term Care in the Department of Health and Human Services (DHHS). I am here to testify in opposition to LB 441, a bill requiring the Department to adopt the Medicaid expansion as it currently exists in the Affordable Care Act. Specifically, this bill would require us to submit a state plan amendment to the federal government to expand eligibility to all non-elderly adults up to 138% of the federal poverty level.

The state Medicaid program provides health care coverage to the most vulnerable in Nebraska— children, pregnant woman, the elderly, and persons with disabilities. The ACA originally forced states to expand coverage to adults up to 138% of the federal poverty level. A later Supreme Court ruling struck down this mandate, giving states the option to expand their programs. I have serious concerns with the expansion of this program, from both a fiscal and policy perspective. I have additional concerns about expanding the program at this time when the new federal administration has indicated there will be major changes to the ACA and to Medicaid financing.

In 2000, Medicaid expenditures in Nebraska totaled \$983 million. Today, expenditures are over two billion dollars annually. While it is very difficult to accurately determine the total cost of a Medicaid expansion due to many unknowns, MLTC has worked to develop a reasonable estimate, using the data from our previous actuarial reports, of the cost to expand Medicaid as outlined in LB 441.

Nebraska Medicaid estimates that the Medicaid expansion proposed in LB 441 would cost the state nearly \$600 million in new state spending during its first ten years, adding nearly 100,000 individuals to Medicaid or state support by June 2028. The annual state share of costs will rise to over \$60 million by 2022 and \$75 million annually by 2027. This cost does not include any provider rate increases to ensure access to services to this new population further increasing the cost of the program.

Additionally, by the time the provisions of LB 441 are operational, it is likely that there will be major changes to the Medicaid program by Congress and the new federal administration. One of the first executive orders issued by the president stated his intent to repeal and replace the ACA, including the adult Medicaid expansion. There are several proposals for replacing the ACA

currently before Congress, the first of which was released Monday, and these proposals range from completely repealing the Medicaid expansion to having the federal match for the Medicaid expansion go down to a state's traditional match rate. This means that the annual state share of LB 441 could quickly exceed \$300 million or more in new annual state spending. It is unclear at this point if federal financial participation in an adult Medicaid expansion program will continue to be available in the future. By time the provisions of this bill are operational, the state cost for this program might increase significantly beyond the \$600 million in general fund costs over the next ten years.

For all of these reasons, I oppose LB 441. It would be far more prudent for the state to continue participating in the national conversation regarding the plans for repeal and replacement of the ACA and to make decisions about changes to the program after we have a clearer picture of the path ahead.

Thank you for the opportunity to testify before you today. I ask that you indefinitely postpone LB 441, and I'm happy to answer any questions you may have.